BUILDING ON SUCCESS...

2000 MANITOBA PUBLIC INSURANCE
ANNUAL REPORT

Manitoba
Public Insurance

OUR MISSION

PROTECTING MANITOBANS FROM THE HUMAN AND ECONOMIC COST OF AUTOMOBILE ACCIDENTS

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101-05761/

CORPORATE VALUES

AT MANITOBA PUBLIC INSURANCE WE VALUE...

OUR CUSTOMERS

We serve the automobile insurance needs of Manitoba's motorists based on trust, fairness, honesty and integrity, with a commitment to the highest ethical standards and excellence in service. We will always place the legitimate needs of our customers ahead of our own.

OUR PEOPLE

We will provide a positive and safe environment where our staff are well-trained, confident and committed to the Corporate Mission. We will provide our people with direction which is clear and consistent. Our people will have the authority that they need to do their jobs, a sense of achievement from their work, and the opportunity for career growth and advancement.

WORKING TOGETHER

We will work co-operatively with each other and with our business associates, sharing information, ideas and resources. Each of us, in our daily work, will create a team environment, drawing on one another to do the best job possible. All communications will be forthright, accurate and honest.

FINANCIAL RESPONSIBILITY

Manitoba Public Insurance holds the funds of its policyholders in trust to meet the needs of our customers. Manitoba Public Insurance will manage all of its operations including the investment of these funds effectively for the long-term benefit of its policyholders.

EXCELLENCE & IMPROVEMENT

Our customers' needs and the business environment in which we operate continue to change and so must we. Each of us must find better ways of doing things for tomorrow. Our task is to constantly improve our products, services and procedures. We will demonstrate initiative, creativity and a strong desire for personal, team and Corporate success in everything we do.

THE COMMUNITY

We encourage our people to participate actively in their communities.

OUR CORPORATE CITIZENSHIP

We will provide leadership to the people of Manitoba by conducting our affairs responsibly and professionally, demonstrating concern for and commitment to our society and the future of our province.

May 18, 2001

Honourable Gordon Mackintosh
Minister Responsible for The Manitoba Public Insurance Corporation
Room 104, Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

In accordance with Section 43(1) of The Manitoba Public Insurance Corporation Act, I have the honour of submitting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2001.

Respectfully Submitted,

Shari Decter Hirst
Chairperson of the Board

Manitoba Public Insurance

May 18, 2001

The Honourable Peter Liba
Lieutenant-Governor Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it please your honour:

I have the privilege of presenting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2001.

Respectfully Submitted,

Minister of Justice Gordon Mackintosh
Attorney General and the
Minister Responsible for
Manitoba Public Insurance

Manitoba

M121

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"DOLLARS AND CENTS"

Approximate Autopac claims incurred costs per working day:	$1.7 million
Total Autopac claims costs for injury and property damage, respectively (before expenses):	$152.3 million and $262.9 million
Amount paid by Manitoba Public Insurance to Manitoba medical practitioners on behalf of customers:	$19.1 million
Commissions paid by Manitoba Public Insurance to independent insurance brokers for product sales:	$34.7 million
Grants-in-lieu of taxes paid to Manitoba municipalities by Manitoba Public Insurance:	$864,000
Provincial premium taxes paid by Manitoba Public Insurance:	$16.5 million (2000 calendar year)
Estimated savings to policyholders through use of recycled parts:	$8.7 million
Estimated direct savings realized through anti-fraud, anti-crime activities:	$5 million
Estimated direct savings to policyholders through subrogation:	$10.3 million
Dollars invested in road safety programs:	$6.1 million

"SIGNIFICANT NUMBERS"

Average number of Autopac claims reported to Manitoba Public Insurance per working day:	908
Total Autopac claims reported:	226,968
Bodily injury claims reported:	12,872
Property damage claims reported:	214,096
Total theft claims reported in Winnipeg:	9,329
Total theft claims reported elsewhere in province:	1,462
Independent Autopac broker outlets, as of February 28, 2001:	331
Calls taken by the Autopac Line:	760,823
Number of Autopac policies in force (2000 average):	781,439
Licensed drivers in Manitoba in 2000:	706,512
Average weekly visits to www.mpi.mb.ca:	3,700

FIVE YEAR STATISTICS

Basic, Extension and SRE*	2000	1999	1998	1997	1996
Premiums Written ($000)	539,054	529,694	502,320	483,356	458,007
Claims Incurred ($000)	431,430	399,301	392,314	378,956	332,733
Number of Claims	226,968	207,202	191,802	186,894	209,975
Average Cost per Claim ($)	1,901	1,927	2,045	2,028	1,585
Claims Expenses ($000)	58,741	60,081	54,007	43,035	42,932
Other Expenses ($000)	99,847	99,569	94,553	89,111	74,918
Income ($000)	46,628	50,911	39,908	81,661	45,473
Total Corporation					
Investments at Year End ($000)	1,154,983	1,054,824	963,081	876,713	773,651
Total Assets ($000)	1,402,456	1,284,017	1,187,503	1,092,648	984,855

"DOLLARS AND CENTS"

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CHAIRPERSON'S MESSAGE

Welcome to Manitoba Public Insurance's annual report for 2000/2001. The report is a celebration of this organization and of its people, the Manitobans who serve their fellow citizens through their work at Manitoba Public Insurance.

I have been fortunate to have met and worked with many Manitoba Public Insurance employees during the past year. I am impressed by the high level of caring that they bring to their jobs and have been privileged to learn more about their work in helping Manitobans recover from losses suffered as a result of accidents. Each and every day, I hear positive, constructive messages about road safety and crime prevention that our people deliver while working with the community.

As in any effective, customer service-oriented organization, our hard work translates into direct customer benefits. Prudent financial stewardship and positive economic factors positioned the Corporation to give motorists a one-time surplus discount of more than $75 million. For the average owners of family vehicles, this translates into $109 being put back into their pockets—and back into the economy of this province.

The discount underlined the Corporation's continued strong financial performance. Manitoba Public Insurance achieved a $46.5 million net income for all lines of business. The entire Basic Autopac insurance net income was placed in the Corporation's Rate Stabilization Reserve to protect Manitobans from rate increases made necessary by unexpected losses arising from non-recurring events or factors.

Protecting Manitobans was our founding principle when Manitoba Public Insurance was created 30 years ago. Back then, motorists faced a confusing array of costly coverages and sometimes contradictory rules that too often resulted in high premiums and inadequate coverage. Our original mandate was to offer excellent insurance coverage to all drivers at a reasonable premium. That is a "rock-solid" foundation that we continue to build upon.

From the tumultuous times of the early '70s to the dawning days of a new millennium, we have remained committed to understanding the evolving needs of Manitobans. This year, we went online with the unveiling of www.mpi.mb.ca—our new Corporate Web site designed to provide useful news and information.

But the Internet is no substitute for personal, one-to-one service and care. We strongly believe there is no replacement for the personalized service that, together with our business partners in the automotive repair trade industry and insurance brokers, we are committed to providing.

On behalf of my colleagues on the Board of Directors, I would like to thank the staff, management and business partners of Manitoba Public Insurance. Their continued dedication to delivering excellent automobile insurance products and compassionate and responsive customer service to Manitobans defines the success of this organization.

Shari Decter Hirst

Chairperson

MANITOBA PUBLIC INSURANCE BOARD OF DIRECTORS

Shari Decter Hirst (Chair)	Paul Moist	Kerry Bittner	Tony Boustcha	Andrew Clarke	Annette Maloney	Ed Arndt	Manisha Pandya	Daryl Reid	Jack Zacharias

PRESIDENT'S MESSAGE

Fiscal 2000 demonstrates that the continuing success of Manitoba Public Insurance is grounded in our ability to hold to the course set for the Corporation when it was created in 1970.

Once again, it is my pleasure to present a favourable annual report to Manitoba Public Insurance's stakeholders, business partners and employees. The past year was one of unprecedented financial success, enabling Manitoba Public Insurance to return more than $75 million to its policyholders in the form of a one-time surplus discount in the 2001 insurance year. This financial return to our customers was the largest any Crown corporation has achieved in Manitoba's history.

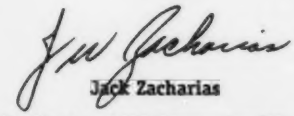
But for Manitoba Public Insurance, success is measured in more than just financial terms. We judge ourselves by how well we meet the needs of our customers—as articulated by our founding objectives. Simply stated, we are committed to serving the automobile insurance needs of Manitoba's motorists with products that are comparable or superior to those offered by private insurers—and at the lowest possible price.

This commitment to meeting the needs of our customers is at the heart of everything we do, whether it be providing a bodily injury protection program that is second to none in the country, or designing innovative road safety programs in an attempt to prevent accidents in the first place. Oftentimes, Manitoba Public Insurance works with like-minded organizations to provide the best products and services possible for our customers.

This annual report highlights our commitment to Manitobans in action—as viewed through the eyes of our customers. What you will read are expressions of appreciation for our complete basic insurance package that is universally available to all Manitobans. Extension and Special Risk Extension products are designed to meet the unique insurance needs that range beyond what is covered by our basic insurance program. These products compete successfully in the private sector and demonstrate that when our customers have a choice, they choose a local company that they trust—Manitoba Public Insurance.

In the years ahead, Manitoba Public Insurance will continue to travel down the path set by our founding objectives—guiding principles that ensure we meet and exceed the expectations of our customers. It is upon these founding objectives that we build our continuing success—and envision our future.

In closing, I extend my sincere thanks to the Manitoba Public Insurance Executive and staff for another year of dedication, hard work and commitment to meeting the insurance needs of Manitobans.



Jack Zacharias
President and Chief Executive Officer

MANITOBA PUBLIC INSURANCE EXECUTIVE

Jack Zacharias President and Chief Executive Officer	**Wilf Bedard** Vice-President, Corporate Claims	**Robert Best** Vice-President, Corporate Resources	**Clarke Campbell** Vice-President, Corporate Information Technology & Chief Information Officer	**John Douglas** Vice-President, Corporate Public Affairs	**Barry Galenzoski** Vice-President, Corporate Finance & Chief Financial Officer	**Kevin McCulloch** Vice-President, Corporate Legal General Counsel & Corporate Secretary	**Marilyn McLaren** Vice-President, Corporate Insurance Operations

CASE STUDY | PERSONAL INJURY PROTECTION PLAN

CUSTOMER SERVICE

CUSTOMER COMMENTS

Mr. Allen Hildebrand

I am writing to thank you for assigning a young lady Dianna Cholod to my son. He was seriously and permanently injured in a MVA August 30, 2000. Dianna became a bright light in a very dark time in our lives. She is very professional, empathetic, knowledgable and just a down right nice person. She is very informative answering all our questions appropriately or directing us to the right area or person. Dianna is always approachable and easy to reach by phone. She answers calls quickly and I never feel rushed when talking with her. She makes one feel comfortable and welcome when talking.

Dianna is a lady who appears to love her job, no matter how difficult it must be at times. She has warmed our hearts and lifted our spirits at a time when a little kindness was necessary. She does this with warmth and sincerity.

So thanks again for having a super lady in your company.

Sincerely,
Mr. & Mrs. Sharon Gilmour
(& Sean)

CASE FILE

BEHIND THE STORY

In the split second that it took Sean Gilmour's car to crash, his life changed forever.

Last August, the 24-year-old was involved in a single vehicle car crash that left him clinging to life for days. He suffered numerous injuries, the most serious being a spinal cord injury that has resulted in complete paraplegia. Sean sustained several other injuries including a contused heart, fractured right heel, fractured nose and cheekbone, fractured left collarbone, four fractured ribs, and a contused and lacerated liver. He also had to have his spleen removed.

While Sean's injuries are catastrophic in nature, with the help of Manitoba Public Insurance's Personal Injury Protection Plan (PIPP), he will receive an Income Replacement Indemnity benefit and unlimited medical and rehabilitation expenses for the rest of his life.

His Case Manager, Dianna Cholod, is working with Sean to develop a rehabilitation plan that will help him return to an independent lifestyle and maximize his opportunities for a productive future.

Dianna Cholod with Sean Gilmour ▸

We're delivering on our promises

◂ Jordan Gillingham

FOCUSING ON THE FUTURE

Jordan Gillingham is quick to tell you about what he did last summer at camp, who his fourth grade friends are and about the Britney Spears CD he just got for his birthday.

As he makes short work of a box of McDonald's fries, he talks about computers and other "matters of interest" to boys his age and it's impossible not to be taken by what a genuinely nice kid he is.

That, and the fact that he's lucky to be here.

Six years ago Jordan darted out onto a busy street and right into the path of an oncoming car.

In the resulting accident, he sustained several injuries. The most significant was a brain injury that resulted in Jordan suffering cognitive difficulty, weakness and poor muscle control on his left side. The damage from his injury is permanent.

Since that day Manitoba Public Insurance's Personal Injury Protection Plan (PIPP) has provided Jordan with the care and rehabilitative therapy he has needed to become a healthy and active 10-year-old.

Jordan attends Strathmillan School in Winnipeg. He has been integrated into a regular classroom setting and, with the support of a teaching assistant, occupational therapist, physiotherapist, resource team and an after-school tutor, he enjoys school and is a good student.

"I like computer class the best," said Jordan without hesitation.

Jennifer McRae-King is Jordan's Occupational Therapist. "We've adapted a lot of basic tools, like scissors and pencils for him to use at school, as well as making some environmental adaptations. He also uses an Alphasmart (mini keyboard) to do some of his assignments and homework," she explained. "With the help of some modified equipment like this and his support team, he's doing really well both academically and socially."

"We're working hard to keep Jordan progressive," said Chris Beck, Senior Case Manager with Manitoba Public Insurance's Casualty & Rehabilitation Claim Centre. "In the event he's unable to complete his schooling or become employed, we've got safety nets available for those outcomes. But what we're really doing is working to prevent that from happening."

School doesn't occupy his entire life, though. Jordan participates in a variety of extracurricular activities and after school programming in his community.

PIPP protects all Manitobans from financial losses they suffer through automobile injury or death, regardless of who is at fault.

Manitoba residents are covered for auto accidents that occur anywhere in Canada or the United States.

Our goal is to return accident victims to the state they were in before their accident.

Our staff ensures that clients are provided with the service and support that best meet their individual needs.

The Personal Injury Protection Plan provides Manitobans with comprehensive insurance benefits that are second to none available in North America, at the lowest possible cost.

Compensation is guaranteed to all Manitobans injured in collisions, regardless of who is at fault. With PIPP, customers receive benefits for as long as they are needed—whether it's for a few weeks or for a lifetime.

Last summer he attended Growing Years Fun in the Sun Camp at Camp Arnes, near Gimli, and tried his hand at sports like rock climbing and archery. He's no stranger to water either, and enjoys going for a good swim.

Jordan's future has also been taken into careful consideration with a plan that includes things like the purchase of a computer and voice-activated software to assist with his schoolwork as he progresses to higher grade levels. His personal care, mobility needs (a van modification or wheelchair, for instance), vocational rehabilitation, lump sum student indemnity (in the event he cannot complete his education), housing (independent living) and an average industrial wage (if he is unable to become employed) have all been accounted for.

"The focus of everything we're doing is to help Jordan function independently and successfully throughout his life," said Beck.

In 1994 Manitoba Public Insurance established its bodily injury protection plan, PIPP. It is designed to protect Manitobans from financial losses suffered through auto injury or death, regardless of who is at fault.

Before PIPP was put in place, only limited accident benefits were paid to any injured parties on a no-fault basis. The system tended to overcompensate people who suffered minor injuries, while under-compensating those who suffered major injuries. There were long delays in settling claims due to the legal process involved and the Corporation's costs were escalating.

PIPP decreased bodily injury claims costs and enhanced the benefits for people who were severely injured. It also addressed the concerns of premium stability and equitable compensation, regardless of who caused the accident, for all Manitobans.

PIPP compensation is determined by medical reports and data gathered on the individual claimant. There are no lifetime limitations set on the medical, rehabilitative or personal care they may require.

In Jordan's case this is significant. Under the previous system, the amount of compensation he received would have been in the form of a one-time settlement and likely would not have accurately reflected his lifelong care requirements.

PIPP has allowed us to become an important part of the rehabilitation community in Manitoba and to become involved with our claimants as soon as the injury occurs. With PIPP, we can deliver services to Jordan and others that best meet their individual needs for a lifetime.

Chris Beck

"PIPP puts resources where they're needed most, with Manitobans who have suffered catastrophic injuries."

CUSTOMER SERVICE

CASE STUDY | CLAIMS SERVICE

CUSTOMER SERVICE

CUSTOMER COMMENTS

The service I got was wonderful, M.P.I. came to see us right away at Shalom Gardens and told us what would happen with our cars.
I can't get around very well anymore and they were willing to do whatever they could to make it easier for me, like getting my things out of the car (after it had been towed to the compound). Merv Brown (Total Loss Expeditor) is a very nice fellow and looked after my claim fairly fast. When he'd phone me, he would call me 'Spirit Fern', as my car was a Dodge Spirit with a customized license plate that said 'Fern'. I'm really going to miss my car and sadly, I think I'm too old to get another one.
It was an unfortunate experience, but I appreciate the help I got from Merv and the people at M.P.I.

Fern Wilson

CASE FILE

BEHIND THE STORY

In the early morning hours of February 22, 2001 a large watermain break at a shopping centre in Winnipeg forced the evacuation of a nearby seniors apartment complex.

Fern Wilson, along with the other residents, was awakened and quickly evacuated from the apartment block as water rapidly poured into the building's underground parking garage.

Thankfully, the entire group made a safe trip to drier ground. Unfortunately, the news was not so good for the 40 cars that were partially submerged in the water-logged parking garage.

Manitoba Public Insurance was quick to respond to the situation and put a plan of action into effect that allowed for swift assessment of the damaged vehicles and minimal disruption for their owners. Unfortunately, all of the vehicles were considered a total loss after inspection, but within a matter of days the majority of claims were settled—making a bad situation a little easier to bear.

Fern Wilson ▸

We're there when you need us

◂ Bill Buchanan

FLOODWATERS DIDN'T DAMPEN THIS TEAM'S SPIRIT

An overnight flood this winter inside the parking garage of a Winnipeg seniors apartment block called for quick action on the part of Manitoba Public Insurance.

Acting Claims Supervisor Bill Buchanan was one of the first people at the scene.

"We weren't really sure what we were dealing with when we arrived," said Buchanan. "There was water up over the tail lights of the vehicles we could see, but it was dark and we couldn't go right inside the garage."

Bruce Haggart, Director of Claims Operations, accompanied Buchanan to the flood site that morning and they were soon joined by South Central Winnipeg Claim Centre Manager Tim Arnason.

The group realized there were two immediate concerns to be dealt with—addressing the needs of the customers who had vehicles in the flooded parkade and making arrangements to have the cars moved as soon as possible to a location where the damage could be assessed.

Buchanan quickly went to work meeting with the vehicle owners to gather information necessary to open claims for them and get keys so the vehicles could be removed from the garage.

"I answered a lot of questions that morning," said Buchanan. "The majority of the claimants were elderly and had concerns about retrieving personal effects from their vehicles. We were also eager to start the claims process rolling by gathering preliminary information from the customers that were there."

Over the rest of the day staff members from other departments were called upon to provide their expertise in a number of areas. The group worked together to gather information needed to inform the customers, staff and media of what was happening and to open claims for the 39 affected vehicle owners.

Our emergency preparedness plan enables us to be ready around the clock to deal with emergency claims situations.

Manitoba Public Insurance is proud of the prompt and efficient service we are able to provide to our customers, no matter what the situation.

Manitobans filed 226,968 claims with Manitoba Public Insurance last year, and answered 760,823 customer calls.

Last year Manitoba Public Insurance returned 91 cents in the form of claims benefits from every dollar it collected in premiums.

Whatever the circumstances, we're committed to settling claims promptly and fairly.

Manitoba Public Insurance's staff is equipped to deal with emergency situations. We have the resources and expertise to quickly and effectively handle large volume claim situations, with a minimal amount of disruption to our customers.

Gaining access to the parkade and making arrangements for the cars to be removed from the flooded garage were hampered by water, ice and gasoline floating in the area. The vehicles could not be taken out until the following day, requiring a lot of organizational effort on the part of those involved.

"Within 48 hours all of the flood-damaged vehicles had been removed from the parkade, estimated and the customers had been contacted," said Haggart. "That's a phenomenal turn-around time."

Unfortunately, after inspection, all of the vehicles were considered total losses. "It was pretty upsetting for some of these folks," explained Buchanan. "For a few of them, it was more than just losing a car. Due to the age of some of these individuals, they won't be replacing their lost vehicles. It means a total lifestyle change...no more driving."

For others it just meant a great deal of immediate inconvenience.

Walter Rea was concerned about retrieving the full-sized spare tire he had inside his van. He had no means of transporting the heavy tire from the dealership where his van had been taken, so Buchanan offered to help.

"Mr. Buchanan was a real help," said Rea. "He picked me up at home and drove me over to Keystone Ford. He helped me get my belongings out of the van, drove me over to where I was going to store the items and then returned me to my home."

"I didn't mind helping Walter out," said Buchanan. "I knew it was a bit of a stressful time for him."

Rea had high praise for the way Manitoba Public Insurance's people handled the entire situation. "We were astonished by how quickly Manitoba Public Insurance showed up and everything was handled very well. I'm completely satisfied."

Buchanan agrees with Rea's assessment.

"It was really great to see the way everyone came together to deal with the situation," said Buchanan. "We were all on the same page and worked together to take care of the customers. We knew that was the most important thing to do."

Walter Rea

"We were astonished by how quickly Manitoba Public Insurance showed up and everything was handled very well. I'm completely satisfied."

CUSTOMER SERVICE

CASE STUDY | DRIVER EDUCATION

CUSTOMER SERVICE

CUSTOMER COMMENTS

My son Michael Moquin recently attended the Driver's Edge – Cops as Co-pilots Program put on by Manitoba Public Insurance & the Winnipeg Police. I would like to take this opportunity to congratulate and thank both organizations on a job well done.
As a parent I was offered a tour of the facility and the general layout of the course that the students would undertake during the day, and found it to be a program that should also be offered to experienced drivers.
Afterwards, when talking with Michael, he had nothing but praise for the program and the instructors. In my opinion this course is very beneficial to our young drivers of today not only in teaching them proper manoeuvres with vehicles but it also instills respect for the police force of Winnipeg.
Again, thank you for a job well done.

Gerry Moquin

CASE FILE

BEHIND THE STORY

"Driver's Edge—Cops as Co-pilots" is a program Manitoba Public Insurance has developed in partnership with the Winnipeg Police Service. This pilot program for young drivers, the first of its kind in North America, teaches students how to avoid crashes. The training combines a defensive driving workshop with in-car skills development under the guidance of specially trained police officers. Driver's Edge—Cops as Co-pilots is an adjunct to Manitoba Public Insurance's High School Driver Education program.

Officer Jim Thiessen with student driver Michael Moquin ▸

We're preparing young drivers for the future

◂ Doris Bonnefoy

DRIVER EDUCATION CELEBRATES 35 YEARS BEHIND THE WHEEL

This year Manitoba Public Insurance's High School Driver Education program marks its 35th year of teaching young Manitobans to drive.

Manitoba Public Insurance took over Driver Education from the Division of Driver and Vehicle Licencing in 1987 and has overseen the growth of the program that now employs close to 300 instructors and provided training to more than 12,000 students across the province last year.

"The program enjoys a very high level of popularity and support," said Driver Education Supervisor Lou Gervino. "We have the confidence of parents and the general public." A recent poll of Manitobans indicated that 88 per cent of respondents feel that the Driver Ed program is an important road safety component.

A few years ago the Corporation renewed its commitment to Driver Education and the program underwent several revisions. The program is now seen as a leader in North America.

In recent years increased program development combined with professional development workshops for instructors has raised the profile of the program. "We've had calls from other provinces and e-mails from our counterparts in the United States asking about our program," said Gervino. "For example, Manitoba Public Insurance developed a gravel road module that has become very popular and is a model for those used in other jurisdictions."

Manitoba Public Insurance recently partnered with the Winnipeg Police Service to pilot a new driver training program called Driver's Edge—Cops as Co-Pilots. The one-day session allows young drivers to learn the same collision avoidance techniques that are taught in police cadet training exercises. The program has received a great deal of positive feedback from students and parents alike.

Manitoba Public Insurance invests about $2 million every year in the Driver Education program.

We recently launched the Children's Traffic Club, a program that brings special road safety programs to 572 day-care centres in the province.

Beginning in September 2002, road safety will become part of the core curriculum for all students from kindergarten through Senior II.

We design programs to prevent impaired driving, speeding and encourage seatbelt use.

Manitoba Public Insurance is committed to road safety. We support a High School Driver Education program that ensures students are receiving instruction from a curriculum that meets leading-edge standards and is offered at the lowest possible cost.

Today's Driver Ed students are becoming Manitoba's safe drivers of tomorrow.

"The response from the students who have participated in the Driver's Edge pilot project has been overwhelmingly favourable," said Raymond Au, Driver Education Liaison. "This certainly is a positive initiative for the Driver Education program."

Doris Bonnefoy began teaching Driver Education in Ashern two years ago. She also serves the communities of Lundar, Eriksdale and Fairford, and provides driving instruction for at least 75 high school students each year.

"I love it," said Bonnefoy. "This job was made for me."

Bonnefoy recognizes the importance of providing young drivers with sound knowledge and skills that will last them a lifetime. "These kids really want to be good drivers," she said. "I'm glad I can help them achieve that goal."

Bonnefoy's students have an overall success rate of 99 per cent in passing their road test on the first attempt. Provincial Driver Examiners in her area have credited her teaching ability as playing a big part in these students' performance behind the wheel.

Her students are appreciative of the opportunity to benefit from Bonnefoy's experience as well as her ability to put new drivers at ease.

"Ms. Bonnefoy is an excellent teacher," writes one of her students. "She made learning the material easy and when I made a driving mistake she told me what I did wrong and how I could improve. She was always patient and easy to feel comfortable with."

"Doris changed the way I think about driving," said another student. "She was fun to drive with and a good instructor."

Manitoba Public Insurance is proud of its Driver Education program. To equip young drivers with the skills to be safe and competent behind the wheel contributes not only to their safety, but that of all Manitobans.

"Manitoba Public Insurance's Driver Education program continues to evolve and adapt to meet both the present and future needs of our students. I am proud of the hard work and effort my colleagues put forth for young drivers."

Raymond Au—Driver Education Liaison

CUSTOMER SERVICE

CASE STUDY | AUTOPAC EXTENSION PRODUCTS

CUSTOMER SERVICE

CUSTOMER COMMENTS

MY 1971 AUSTIN MINI WAS MY BABY. I SPENT MONTHS RESTORING IT. NOW IT'S GONE. WHEN I STORED IT, I BOUGHT AUTOPAC LAY-UP COVERAGE FOR THE FIRST TIME - IT ONLY COST $15 A MONTH. I'M SURE GLAD I DID. I KNOW OF A FEW CLASSIC CARS STORED IN THAT BARN - WORTH BIG BUCKS - THAT HAD NO INSURANCE AT ALL.

BRETT ROCHA

CASE FILE

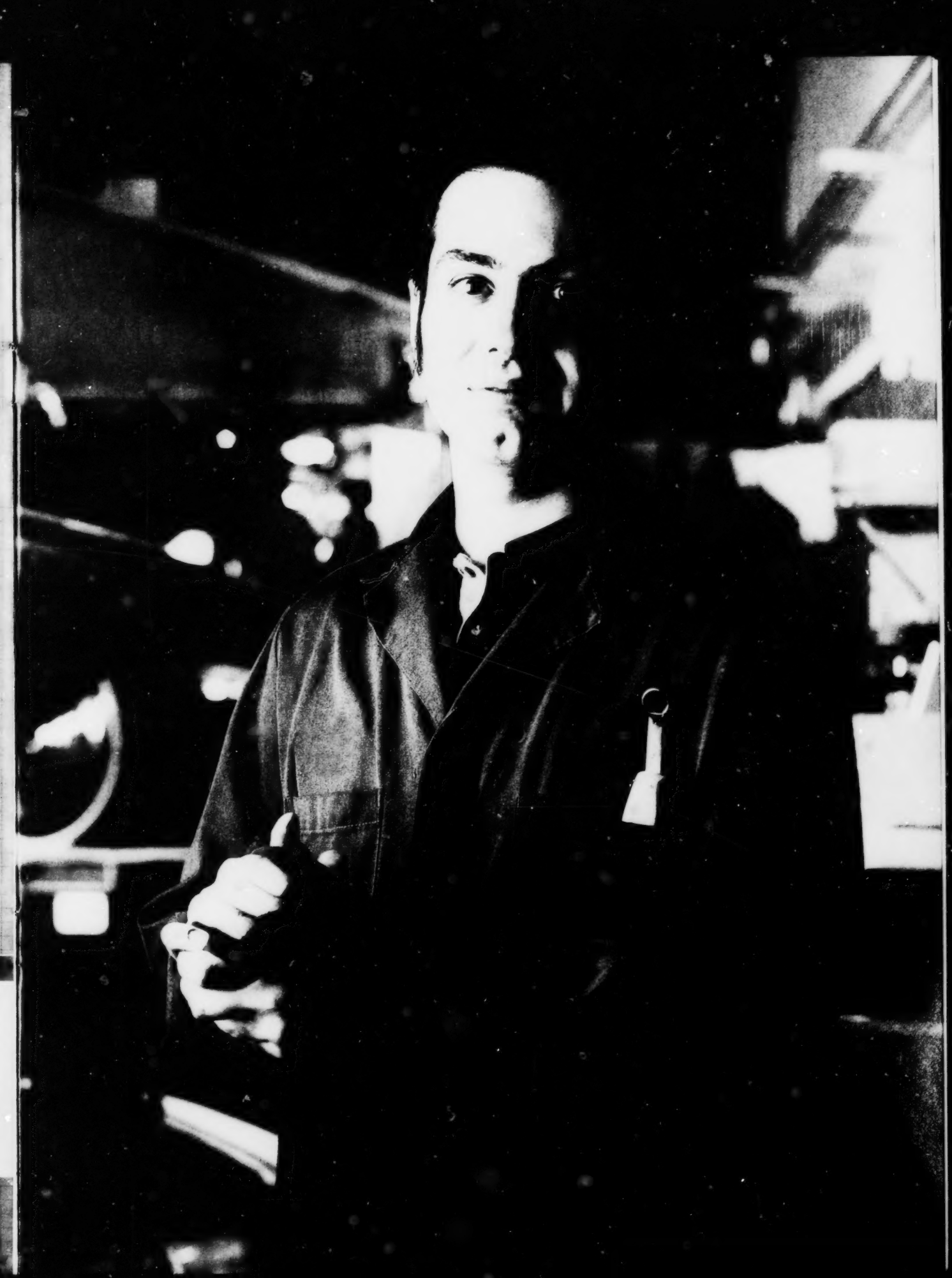
BEHIND THE STORY

On January 19, 2001 an electrical fire leveled a Niverville-area barn that housed 22 prized automobiles.

Brett Rocha's completely restored 1971 Austin Mini was reduced to a charred metal shell in the blaze.

Although Brett's dream went up in smoke that day, he's glad he had the forethought to purchase Autopac Lay-Up protection before he stored his car.

Brett Rocha ▸



We're offering you more choices

Dale Holm

WHEN CUSTOMERS HAVE A CHOICE, THEY CHOOSE MANITOBA PUBLIC INSURANCE

Manitoba Public Insurance's basic Autopac coverage provides a solid foundation of insurance protection for Manitoba motorists.

For customers seeking additional coverage, Manitoba Public Insurance has taken steps to simplify the transaction process and offer Extension products and financing options that are in tune with the needs of our customers.

"It all comes down to customer choice," said Dale Holm, Manager of Autopac Extension.

"We looked at what customers wanted and examined their buying patterns," he explained. "From there we set out to change our products to fit the way customers wanted to be able to use them."

A big part of the simplification process first required the "not-so-simple" task of moving several Extension products over to Autopac On-line (AOL).

"We wanted to offer customers improved accessibility and affordability to a line of excellent products that had actually been available through our Special Risk Extension Department for quite a while," said Holm. "Moving them over to AOL was the best way to do this."

Transferring the products to AOL called for modifications to *The Manitoba Public Insurance Act*, including the creation of a new Off-Road Vehicle section within the legislation. An Extension Products team was created and redrafted sections of the Act to integrate the products into AOL.

The first product to take the leap was Manitoba Public Insurance's Lay-Up Coverage. Motorists are now able to buy a product that provides protection against theft, vandalism, hail damage and fire that can be purchased quickly and easily through AOL. New purchasing flexibility reflects the periods of time that either lay-up or road coverage is needed by each customer.

Off-Road Vehicle, Loss of Use and Motorcycle coverages followed suit, creating new purchasing ease for customers.

Auto Loss of Use coverage ensures alternate transportation when your vehicle is out of commission.

Lay-Up coverage can protect your seasonal vehicle year round for a fraction of the cost of leaving it registered.

Off-Road Vehicle coverage protects you and your family if you are injured in an off-road vehicle accident.

Our motorcycle extension products protect your motorcycle against fire and theft year round.

Manitoba Public Insurance was established to provide all Manitobans with the opportunity to purchase both basic and optional extension coverage.

We've worked hard over the past 30 years to offer products that are accessible and best suited to our customers' needs. Our trained and knowledgeable brokers provide extension products that have become even easier to purchase through our Autopac On-line system.

Loss of Use gained immediate popularity with customers and is proving to be the new "product of choice" for those wanting protection beyond what their basic coverage provides. Two levels of coverage are offered that provide for replacement transportation with no waiting period required. The small cost is combined with the rest of the Autopac premium and is also subject to a customer's merit discount.

"Manitoba Public Insurance wants to reward customers with good claims histories," said Holm. "We've built that into the improvements we've made in these coverages."

Holm is quick to point out that Loss of Use sales have gone well past sales projections for the first year. "This product has turned out really well," said Holm. "Customers are taking advantage of it and brokers are very supportive of it. Loss of Use policies are selling at a rate of more than 350 per business day."

Motorcycle riders are pleased with this year's introduction of seasonal rates for bikes. The change reduces the initial cash outlay by close to 60 per cent and removes the need for policy cancellation and refund, as coverage now runs for a full year.

Also, better recognition of different types of motorcycles means that many owners are seeing their rates decrease. This year a new risk ranking has been created for sport bikes, allowing for a five per cent increase in premiums for that type of bike and reductions for touring, custom and off-road bikes.

Holm credits offering customers more product information for helping make their choices easier. "Informed choices are allowing the customer to choose us," said Holm. "These weren't all new products but they just weren't promoted as well as they could have been."

Over the next few years Autopac customers can expect to see more product migration to AOL. "We're looking to the future," said Holm. "And we're changing our products to fit into it."

"We continually analyze our products to ensure they meet customers' needs. Product performance is enhanced through automated underwriting, product changes, targeted marketing and claims prevention."

Pat Niziol—Business Analyst

CUSTOMER SERVICE

CASE STUDY | SPECIAL RISK EXTENSION

CUSTOMER SERVICE

OUR COMMITMENT TO CUSTOMERS

Manitoba Public Insurance's Special Risk Extension Department is working hard to serve Manitoba's growing commercial transport industry.

SRE's effective claims-handling approach addresses the business needs of our customers. Our experienced underwriting staff works with our brokers to provide comprehensive coverage and competitive pricing.

Our focus on providing the best possible service to our SRE customers has made us an industry leader in the area of fleet safety, which in turn benefits all Manitobans.

Our dedication to safety and loss prevention is demonstrated by the programs and services that our Fleet Safety unit provides to our customers. This commitment is at the heart of everything we do.

Lori Cumming, SRE Manager

CASE FILE

BEHIND THE STORY

For the past 30 years Manitoba Public Insurance's Special Risk Extension (SRE) department has offered Manitobans products and services that are designed to fit their specific needs.

Over the years SRE has developed several successful product lines that include optional extensions to Basic Autopac, primary coverage for vehicles exempt from Autopac, fleet packages and garage automobile policies.

SRE products keep our customers covered in Manitoba and beyond.

Lori Cumming ▸

We're providing the best service possible

◂ Franco Greco with Doug Kopp

FLEET SAFETY PROGRAMS PROVIDE VALUE-ADDED SERVICE TO CUSTOMERS

Over the past decade Manitoba's trucking industry has flourished.

As rail lines are abandoned and North American free trade gains momentum, the number of Manitoba-based for-hire trucking companies has grown substantially.

"Manitoba's trucking industry both directly and indirectly employs about five per cent of the province's labour force," said Bob Dolyniuk, the General Manager of the Manitoba Trucking Association.

"Twelve of Canada's largest trucking companies are based here," Dolyniuk explained. "Manitoba is a good central location for Canada - U.S. trade traffic. Imports and exports between the two countries were around $17 billion last year."

Manitoba Public Insurance's Special Risk Extension (SRE) department has proudly been serving the needs of this growing industry for 30 years.

SRE provides customers with a total insurance plan that is designed to fit the needs of each client. A team approach that involves underwriting, fleet safety, claims and brokers allows us to provide insurance protection that customers can count on at a fair price.

Controlling claims costs through loss prevention plays a key role in keeping customer rates down. SRE's Fleet Safety Program was implemented in 1995 to address the issues of customer safety and loss prevention.

"Reducing accident frequency and severity is what it's all about," said Fleet Safety Manager Terry Doerksen. "Making fleet safety a priority lowers accident losses and that helps to keep rate increases minimal."

Doerksen and Fleet Safety representative Doug Kopp travel the province year round to meet with fleet operators and develop effective road safety programs aimed at reducing accidents, operating costs and cargo claims.

"We conduct loss prevention audits that look at the performance of a fleet in areas like driver control and hiring, truck maintenance, safety programming, claims administration and owner attitude," explained Doerksen.

Operators are required to meet a set of minimum standards called the National Safety Code. It assists drivers in complying with local, national and international rules for owning and operating commercial vehicles.

The information that Doerksen and Kopp gather is used by SRE underwriters to help establish a client's risk factor.

Manitoba Public Insurance is the only insurer in Canada to provide VIT inspections.

Last year 522 semi-trucks and 302 trailers were inspected with the VIT—300 defects were discovered.

The number of trucks involved in highway accidents in Manitoba has dropped by 20 per cent over the past 10 years.

Manitoba Public Insurance's SRE department is viewed as an industry leader in loss prevention initiatives.

Special Risk Extension designs your total insurance plan with a team approach that includes underwriting, fleet safety, claims and broker service.

Our commitment to road safety and loss prevention has led us to develop fleet safety initiatives that are among the best in the world.

"We're the eyes and ears of SRE's underwriters," said Kopp.

Another important aspect of their job is introducing SRE's safety initiatives to fleet owners.

"Raising a company's level of safety awareness is important," said Doerksen. "We're making recommendations after doing audits and inspections and when we revisit later we're finding that those concerns have been addressed. Fleets are really improving, safety-wise."

One of SRE's most important fleet safety programs is the use of a Vehicle Inspection Trailer (VIT) that provides on-site diagnostic vehicle brake and suspension inspection service for large trucks, trailers and buses.

Franco Greco is SRE's Heavy Equipment Service Rep and travels around the province, testing an average of 40 pieces of equipment every week with the VIT.

"It's a free service that we provide to our customers," said Greco. "Fleets can't afford downtime for repairs. With the VIT, I can identify trouble areas before they become a serious and possibly dangerous problem."

Greco also keeps Doerksen and Kopp informed of any serious or ongoing safety issues he sees with a fleet. The information can be added to a client's audit report.

Manitoba Public Insurance is the only insurance company in Canada that offers its customers a VIT inspection service.

SRE provides customers with Accident Camera Kits for their vehicles that include a disposable camera, an accident booklet and a pen.

"It's so important to get the details and particulars at an accident scene," explained Kopp. "The kit is compact and contains everything needed to get all of the information necessary for making a claim."

SRE also sponsors a driver-monitoring program called DriverCheck. The program provides timely and factual information about driver and vehicle performance on the road. It is recognized by the familiar "How's My Driving" decal that is placed on the rear of a trailer.

The department has a collection of close to 20 safety videos that it lends to customers free of charge. A wide variety of topics are covered including emergency manoeuvres, driver fatigue and extreme weather driving.

This combination of proactive safety service has made Manitoba Public Insurance's SRE department an industry leader in loss prevention.

"We will continue to research and develop new safety initiatives," said Doerksen. "Customer safety is the focus of everything we do."

"Reducing accident frequency and severity is what it's all about. Making fleet safety a priority lowers accident losses and that helps to keep rate increases minimal."

Terry Doerksen—SRE Fleet Safety Manager

CUSTOMER SERVICE

CASE STUDY | LISTENING TO OUR CUSTOMERS

CUSTOMER SERVICE

CUSTOMER COMMENTS

MAC WAS REALLY GOOD. HE WENT OUT OF HIS WAY TO COME TO MY PLACE AND WAS THERE WITHIN HOURS OF THE ACCIDENT HAPPENING. WE COULDN'T TAKE THE CAR ANYWHERE SINCE THE DOOR WAS STUCK OPEN, SO HE CAME TO US. I WAS IMPRESSED BY HOW QUICKLY HE LOOKED AFTER THINGS AND WAS QUITE SATISFIED WITH HIS WORK.

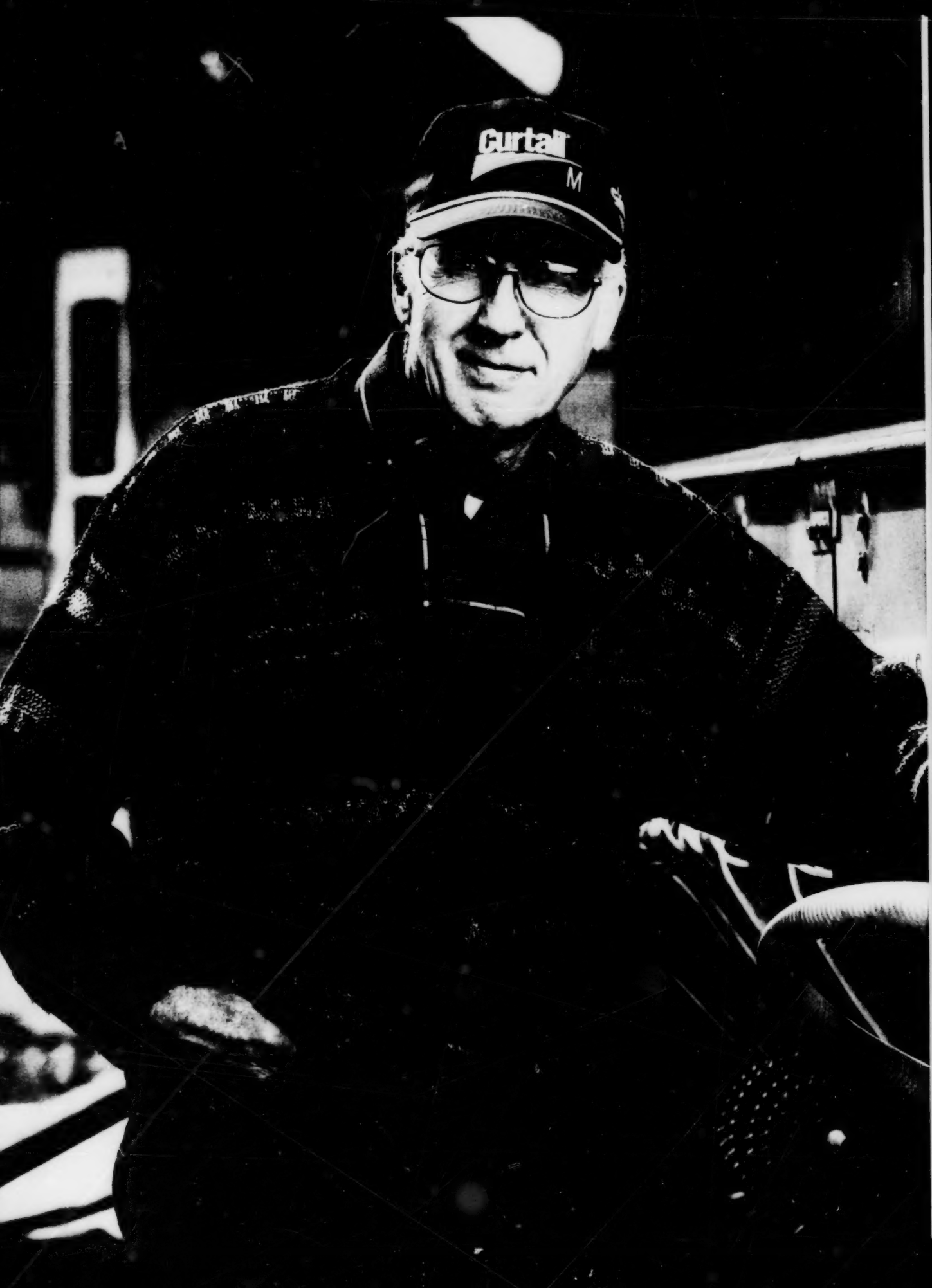
KEN RHYMER

CASE FILE

BEHIND THE STORY

On a rainy day last November, Ken Rhymer's car was damaged when a family member hit the ditch while travelling on an icy gravel road south of Rosenort. One of the passenger doors of the car was forced open in the accident and would not close. This presented some difficulty in regard to transporting the car for an estimate. Mac McLachlan, an Estimator who works out of the Steinbach Claim Centre, was called. He took a detour from his appointment schedule and arrived at the Rhymer farm by early afternoon, performed an estimate on the vehicle and arrangements were made in short order.

Ken Rhymer ▸


Curtail
M

We're part of your community

◂ Bill Cusitar with Autopac customer

WORKING TOGETHER TO SERVE THE COMMUNITY

Village Insurance Brokers started as a single location in Ile des Chenes over 22 years ago. Over the years it has grown to serve several southern Manitoba communities from three offices.

The Ile des Chenes location, which moved into new offices after 20 years in the Caisse Populaire building, along with new offices in Lorette (purchased in 1994) and in St. Adolphe (purchased a year ago) make up a thriving family business.

Bill Cusitar and his partners, sons Dave and Tom, process close to 10,000 Autopac transactions annually at the three locations.

Village Insurance Brokers are strong and committed business partners with Manitoba Public Insurance. "We have a 22-year relationship with Manitoba Public Insurance that enables us to provide the best possible service to our mutual customers," said Bill Cusitar.

Ward Keith, Manitoba Public Insurance's Broker Support Services Manager, agrees. "Manitoba Public Insurance appreciates the strategic relationship we share with our broker network. The 331 brokers in Manitoba share our vision of building valuable, lasting client relationships which are anchored in providing the best customer service possible."

Cusitar is quick to point out that the business doesn't rest on its success.

"Over the years the communities we serve have become bedroom communities of Winnipeg," he said. "Customers have the ability to shop in a larger marketplace these days."

Cusitar sees Village Insurance Brokers as a progressive business that is able to meet changing customer needs. Understanding the community and being able to adapt to customers' needs is important to its success.

"We try to keep hours that suit the needs of our customers," says Cusitar. "And if they have trouble meeting those hours, we're always willing to arrange a time that's convenient or go out to see them."

French language services are offered in each of the locations. This is reflective of the cultural background of the communities they serve.

"It's good for business," explains Cusitar. "And we see it as a courtesy to the community."

Cusitar feels that another of the truly important strengths of his business is the ability to keep on top of the insurance needs of customers.

"We are continually surveying our client population to assess their needs and provide the best insurance coverage for them. It's important to review individual coverage on a regular basis. It keeps the clients' coverage current and helps us stay competitive."

This type of service means long days for the Cusitars. "It's all part of doing business," said Bill Cusitar. "You do what's necessary to provide the best service possible. Your reputation rests on it. And in this business...your reputation is everything."

Manitoba Public Insurance offers exceptional front-line service to our customers no matter where they live.

Our Web site (www.mpi.mb.ca) provides customers with the news and information they need.

Manitoba motorists can report an Autopac claim over the phone six days a week.

We invest customer premiums in Manitoba by purchasing bonds that help build schools, hospitals and municipal facilities.

Manitoba Public Insurance serves Manitobans in the communities where they live.

One of our founding objectives was to provide customers with insurance and claims service that would be available in all parts of the province. Today we are proud to provide claims service in over 70 communities across Manitoba. Our broker network serves customers from 331 offices located throughout the province.

GOING THAT EXTRA MILE

Mac McLachlan really goes "that extra mile" for his customers.

Although he works out of Manitoba Public Insurance's Steinbach Claim Centre, his job as a Field Estimator has kept him on the road for over 10 years, logging an average of 65,000 kilometres annually, as he travels throughout the southeast corner of the province.

"It's not really possible to keep regular hours with this job," said McLachlan. "I work to accommodate the needs of the customer, which don't necessarily fit into a typical workday."

McLachlan's job is a combination of both Estimator and Adjuster functions, which makes it quite different from many of his counterparts.

"Rural Estimators need to have a vast amount of knowledge and experience," explains Dennis Ollivier, Manager of the Steinbach Claim Centre. "Their job is really a combination of an Estimator, an Adjuster and a Customer Service Representative. They have to be able to work without direct supervision and make decisions on the spot."

"I get calls at home at night or on the weekend from customers or the auto trades shops," said McLachlan. "They need my advice or the okay on a job. I don't mind, but it means my day runs long sometimes."

He admits he's glad that his customers and the tradespeople he works with feel comfortable enough with him to do that. "I know these people and the communities they live in," said McLachlan. "It's important for me to be able to know how to deal with them and for them to trust me."

McLachlan points out that when he's dealing with a customer they are usually upset and his first priority is to put them at ease. He likes to feel out a situation and then respond. "Listening is the key," he explains. "It's important to take the time to listen to them and also to explain what's going to happen."

"Mac is affable and a real gentleman," comments Ollivier. "That's why our customers appreciate dealing with him. Combine that with his strong work ethic and it's easy to see why he's one guy who really does the job."

Mac McLachlan—Rural Field Estimator

"It's important to take the time to listen to the customer and also to explain what's going to happen with their claim."

CUSTOMER SERVICE

FAIR PRACTICES OFFICE COMPLETES FIRST YEAR OF OPERATION

The Fair Practices Office was established in late 1999. Manitoba Public Insurance created this arms-length office to examine policies, procedures and even legislation that affect customers.

Part of the office's examination process involves investigating all formal Manitoba Public Insurance customer concerns presented to the provincial Ombudsman. As well, the office receives input from other customers and Manitoba Public Insurance staff about issues that affect them.

While the office promotes fair process, it's not a formal avenue of appeal. It can recommend that an issue be reviewed and can also alert Manitoba Public Insurance's President and CEO that a policy may be unfair. Individual customers who bring their concerns to the office can be assured they will receive assistance in determining the best "next step" for their particular issues. As for Ombudsman inquiries, the office carefully reviews the issues presented and continues to nurture Manitoba Public Insurance's relationship with the Office of the Ombudsman.

The office's first year of operation was filled with accomplishments and challenges. This was particularly so because Manitoba Public Insurance's operations are so diverse. As a result of this diversity, the office had the opportunity to interact on a meaningful level with virtually all areas of Manitoba Public Insurance.

"We've consistently been impressed with the decision-making efforts of Manitoba Public Insurance Claims staff, as well as their thorough scrutiny of these decisions when customers express concerns," says Manager Ted Letkemann.

One of Manitoba Public Insurance's most important Corporate values is to put its customers first. Clearly, Manitoba Public Insurance is achieving this goal. Of the 1,073 customer inquiries that the office reviewed over the past year, it recommended that Manitoba Public Insurance change its decisions in only 45 of these situations.

To further promote Manitoba Public Insurance's commitment to its customers, the office also made a variety of formal and informal recommendations pertaining to Manitoba Public Insurance policies, procedures and legislation. Some of these recommendations were adopted, while others are still being actively studied.

"There have been accomplishments, both at the individual customer level and at the systemic level. These accomplishments really resulted from the high level of co-operation that the office received from the Corporation in general, suggesting significant acceptance of the office by Manitoba Public Insurance staff," Letkemann says.

When asked what the year ahead holds for the Fair Practices Office, Letkemann and his staff of experienced Manitoba Public Insurance front-line professionals are enthusiastic.

"There are still policies, procedures and legislation which can be fine-tuned to better address our customers' changing expectations," Letkemann says.

The Fair Practices Office remains committed to identifying issues that customers perceive as unfair and to ensure those issues receive a thorough examination. The office will continue to put Manitoba Public Insurance customers first by working to refine policies, procedures and legislation to better reflect its customers' expectations.

CORPORATE GOVERNANCE

Manitoba Public Insurance is dedicated to serving all Manitobans. In essence, we are: Manitobans serving Manitobans. We are also accountable to Manitobans.

As a Crown corporation, we are answerable to a Minister and the Legislature of Manitoba through the legislative committee process and our annual report.

The Corporation is guided by a Board of Directors that is responsible for policy development and approval. It approves the Corporation's annual operating and capital budget ensuring congruence of strategic plans. The Board of Directors oversees the creation of a five-year strategic plan, monitors its progress and measures its success. The Board has also designated committees that deal with budgeting and operations, human resources, investments, and governance functions.

The Crown Corporations Council, by legislation, conducts a mandate and strategy review of Manitoba Public Insurance and encourages good governance and monitoring. The Council reports its findings to the provincial government on a regular basis.

Annually, the Corporation submits its proposed rates and fees for compulsory insurance to the Public Utilities Board of Manitoba for its review and approval.

The Corporation is also accountable to individual customers and claimants. By legislation, the Corporation must monitor and report on complaints and inquiries. Decisions made by the Corporation may be appealed internally and/or to an independent body for final determination.

Customers who feel they have been wronged also have the option of meeting with Manitoba Public Insurance's Fair Practices Office. This office operates at arms-length from Corporate operations and reports directly to the President and Chief Executive Officer. In addition to looking into specific complaints, Fair Practices also investigates systemic customer irritants.

Manitobans also have the option of taking Manitoba Public Insurance issues to the Office of the Ombudsman. This office has the power to investigate complaints, conduct reviews and seek redress.

MANAGEMENT DISCUSSION

As Manitoba Public Insurance prepares to celebrate its 30th year of successfully meeting the automobile insurance needs of Manitobans, the value of the Corporation has never been more apparent and tangible.

In 2000, the Corporation continued to enjoy an unprecedented era of strength and stability that has benefited all our customers in every region. For the third consecutive year, auto insurance rates for the majority of vehicle owners dropped while services were enhanced, new products introduced and the level of protection improved.

Strong financial results have enabled Manitoba Public Insurance to provide customers with a 16.6 per cent one-time surplus discount on the 2001 registration year policies and maintain reserves, within its target range, that protect the driving public from large fluctuations in premiums.

The financial strength of Manitoba Public Insurance has not come at the expense of benefits or customer service. Our dedicated employees take pride in providing exceptional customer service. When faced with a new challenge, they respond with an effort that always puts people first. For example, when bad weather hit Manitoba in December, the Corporation handled 21,855 claims in one month. That's an average of 1,150 every working day and significantly more than the normal winter workload. During that time, our lead-time to deal with claims grew to 3.5 days from the expected 2.5 days but remained well below the five-day threshold the Corporation experienced just a few short years ago.

In 2000, the 1,200 employees of Manitoba Public Insurance handled 8 million contacts with our customers and countless more with business partners. While the majority of the contacts were delivered through our permanent facilities, our staff regularly visited an additional 72 communities to enhance the service offered to outlying areas. To manage the level of service we are providing to our customers, the Corporation adopted a series of service standards against which regular activity can be monitored. As the year closed out, on average, the Corporation met or exceeded the 19 standards 91 per cent of the time.

While these are laudable achievements, the Corporation cannot rest on its past accomplishments. Our staff remains our greatest strength and Manitoba Public Insurance will continue to invest in its people. Succession planning is taking on greater importance as many senior employees approach retirement age. Through staff training and hiring new employees to reflect the mosaic of our customer base, the Corporation is preparing to meet this challenge. Our annual target is to provide more than a week of formal training for every employee.

Manitobans have told us that they want affordable, fair and stable auto insurance rates. For the last three years, independent studies have shown our premiums to be nationally competitive, making Manitoba one of the lowest cost provinces in which to own and operate a vehicle. Over the last two years, these studies have shown that, for comparable coverage, the cost of auto insurance in Manitoba is the lowest in Canada.

Manitoba Public Insurance has a goal of ensuring every Manitoban pays no more than their fair share of premiums. In 2000, Manitoba Public Insurance continued to refine the way it sets rates to reduce cross-subsidization between classes of vehicles, driver classes and geographic areas.

We also know that Manitoba families value price stability. By building its Rate Stabilization Reserve, the Corporation minimizes sudden rate increases caused by unexpected events and losses. Since 1971, the cost of auto insurance in Manitoba has increased at a level below the rate of inflation.

Manitoba Public Insurance expects that it will stretch its financial strength into future years offering rate stability for most Manitobans. What makes this financial record especially satisfying is the fact that during this time, virtually every other Canadian jurisdiction has seen auto insurance rates increase significantly.

Manitoba Public Insurance provides all Manitobans with protection from injury claims and damage to their insured vehicles. The Corporation operates three distinct lines of business that guarantee all Manitobans basic automobile insurance protection and the opportunity to enhance the basic coverage with optional products.

Basic Autopac is the Corporation's universal compulsory insurance for all private and commercial vehicles that includes:

- All-perils coverage
- Third-Party liability
- Personal Injury Protection Plan (PIPP)

PIPP provides injury protection for all Manitobans injured in vehicle accidents anywhere in Canada or the United States. Comprehensive coverage provides compensation for the injured regardless of fault. PIPP benefits are based on demonstrated economic loss and most benefits are indexed against inflation.

For Manitobans who choose to reduce the amount of risk they are willing to assume, Autopac Extension offers a suite of products in competition with other insurers. The Corporation also offers optional coverages for commercial vehicles in competition with other insurers through its Special Risk Extension line.

As the Corporation closes off the 2000 insurance year, management wishes to call special attention to specific achievements that demonstrate the value it offers Manitobans.

In 2000, Manitoba Public Insurance introduced a series of payment options that allow Manitobans to select a payment program that works best for them. In addition to credit card and full payment options, families looking to budget expenditures can choose between monthly or quarterly payment options.

Manitoba Public Insurance partnered with Winnipeg and Brandon police to provide customers involved in hit-and-run claims with the ability to fill out a police report at the same time they filed a claim. For legitimate claims, the new system improved customer service. The program also helped Manitoba Public Insurance reduce the amount that Manitobans pay for their auto insurance by identifying claimants who attempted to file a fraudulent claim.

During the past year, Manitoba Public Insurance returned 91 cents of every dollar collected in premiums in the form of claims payments. Every region benefited from the Corporation's purchase of goods and services.

The Corporation also made its presence felt in Manitoba through its investment strategy. In 30 years, virtually all schools built in Manitoba have received funding from Manitoba Public Insurance. In all, Manitoba Public Insurance has invested more than $1.3 billion in schools, hospitals, municipalities and Province of Manitoba bonds.

Income earned from this and other investments is used by the Corporation to reduce the cost of the average insurance premium in Manitoba. In 2000, that reduction amounted to $94 per vehicle.

With High School Driver Education fees reduced from $100 to $50, enrolment increased by 20 per cent as a record number of students learned basic skills before getting their licence. In partnership with the Winnipeg Police Service, the Corporation also began to offer an advanced defensive driving course to a select number of students. The Driver's Edge program has been a great success by all measures.

The Corporation realizes, though, that it will be challenged in the future to maintain its low-cost record because Manitobans continue to file accident claims at rates well above the industry average.

While the average repair cost per vehicle in Manitoba is less than the national average, price escalation of parts and increases in the cost of vendor services will require attention.

AUTOMOBILE INSURANCE DIVISION

Basic Autopac, Autopac Extension and Special Risk Extension (SRE) provide distinct but complementary insurance products to Manitobans.

The Basic Autopac package—no-fault injury compensation benefits, $200,000 third-party liability coverage and all-perils coverage—is mandatory for Manitoba-registered automobiles. Many Manitobans supplement their basic policies with optional Autopac Extension coverage, which Manitoba Public Insurance offers in competition with private insurance companies.

SRE, also operating in the competitive market, provides optional coverage for specialized risks. These include coverage for large commercial trucking fleets, vacationer's policies, depreciation coverage for new vehicles and new leased vehicle protection.

Autopac and SRE reported a combined net income of $46.6 million from March 1, 2000 to February 28, 2001. Together with a net loss of $0.1 million from discontinued operations, this resulted in a Corporate net income of $46.5 million. This report shows $87.4 million in retained earnings including SRE and Autopac Extension retained earnings of $84.3 million and retained earnings of $3.1 million from discontinued operations.

As of February 28, 2001, the Basic Rate Stabilization Reserve, which does not include Autopac Extension or SRE business, stands at $143.0 million, increasing from $104.9 million as of February 29, 2000. This reserve is required to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events and factors.

AUTOPAC OPERATIONS CONTINUE TO BE STRONG

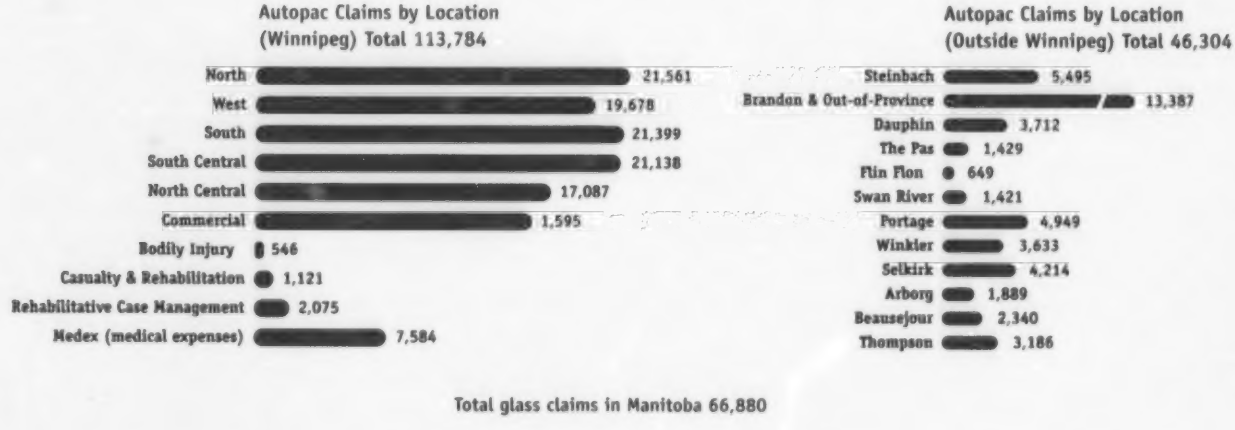
There were 226,968 claims reported in Manitoba during 2000/2001, contributing to total Autopac claims incurred of $415.2 million, excluding claims expenses. The number of claims reported in the fiscal year increased by 19,766, or 9.5 per cent. The average cost per claim decreased by $33 from $1,862 in 1999/2000 to $1,829 in 2000/2001.

Overall claims costs increased from the previous year by $29.4 million.

Injury claims costs decreased compared to the previous year by $3.9 million, due to an increase in PIPP benefits of $10.3 million, a decrease in public liability claims incurred of $4.5 million and a decrease in pre-March 1994 reserves of $9.7 million.

Physical damage claims costs increased by $33.3 million compared to last year. Property damage and collision claims costs increased by $25.3 million. Comprehensive claims costs increased by $8.0 million.

Vehicle thefts increased from the previous 12-month period from 9,545 to 10,791. Total theft claim costs for the period totalled $22.8 million.



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Operating expenses for Basic and Extension Autopac totalled $92.0 million, compared to $89.2 million last year. This figure includes costs associated with regulatory and appeal processes, investment in information technology, road safety initiatives, commissions and premium taxes.

SPECIAL RISK EXTENSION

Net income from SRE operations for the 12-month period totalled $14.7 million, compared to $14.2 million last year. This includes premium revenue of $31.0 million and investment income of $9.9 million, offset by claims costs, expenses, commissions and premium taxes totalling $26.2 million.

DISCONTINUED OPERATIONS

Manitoba Public Insurance withdrew from reinsurance assumed operations in 1987, and ceased offering personal and commercial lines policies as of October 1, 1990. All personal and commercial lines policies had expired by September, 1991.

As of February 28, 2001 the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. (See note 11.)

Discontinued operations showed a net loss of $0.1 million for the year.

INVESTMENT INCOME

After vehicle and driver premiums, the major source of revenue for Manitoba Public Insurance is investment income. This income, earned from the investment of funds not immediately needed to pay claims, reduces the Corporation's premium requirements.

The Corporation's investments in the community, with a portfolio consisting of provincial, municipal, hospital and school bonds and debentures, benefit Manitobans from the infrastructure and facilities constructed, in part, because of the availability of these funds.

The Corporation earned a total investment income of $86.4 million for the fiscal year, an increase of $9.2 million over last year.

This fiscal year witnessed continued strengthening of the Corporation's financial position. The Corporation's investment portfolio remains solid, as well as its ability to meet its current and future financial obligations.

INJURY CLAIMS

Type of Claim	2000	1999	1998	1997	1996
Chronic Pain	205	351	125	141	275
Fatal	148	161	149	126	111
Brain Damage	64	52	35	36	29
Quadriplegic	6	2	1	4	3
Paraplegic	9	8	1	4	1
Broken Limbs	669	660	468	480	491
Whiplash	7,309	8,285	6,977	6,538	7,820
Bruising/Lacerations	598	1,023	1,525	1,274	1,178
Other	3,864	2,399	2,593	1,736	1,603
Totals	12,872	12,941	11,874	10,339	11,511

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2000 | RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgements which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

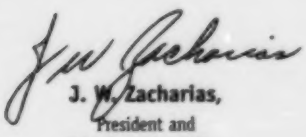
The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

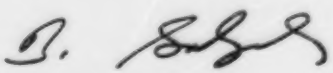
In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities is an important element in forming the actuary's opinion.

Arthur Andersen LLP, the Corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with Canadian generally accepted accounting principles.



J. W. Zacharias,
President and
Chief Executive Officer
April 24, 2001



B. W. Galenzoski,
Vice-President Corporate Finance
and Chief Financial Officer
April 24, 2001

AUDITORS' REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheets of Manitoba Public Insurance Corporation as at February 28, 2001 and February 29, 2000 and the statements of operations, retained earnings, basic insurance rate stabilization reserve and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2001 and February 29, 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Winnipeg, Manitoba
April 24, 2001

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2001 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
April 24, 2001

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STATEMENT OF OPERATIONS

	Note	YEARS ENDED FEBRUARY 28/29	
		2001	2000
		(in thousands of dollars)	
REVENUE			
Premiums written		$ 539,054	$ 529,694
Premiums earned	7	$ 538,173	$ 520,023
Service fees		15,175	15,462
Total earned revenues		553,348	535,485
CLAIMS COSTS			
Claims incurred	7		
Current year		463,579	412,790
Prior years	9	(32,149)	(13,489)
		431,430	399,301
Claims expense		58,741	60,081
		490,171	459,382
EXPENSES			
Commissions		29,796	29,406
Operating		45,547	45,589
Premium taxes		16,493	15,923
Regulatory/Appeal		1,880	1,699
Road Safety		6,131	6,952
		99,847	99,569
Total claims and expenses		590,018	558,951
Underwriting loss		(36,670)	(23,466)
Investment income, net	10	83,298	74,377
Net income before the undernoted		46,628	50,911
Discontinued operations	11	(148)	517
NET INCOME FOR THE YEAR	12	$ 46,480	$ 51,428

BALANCE SHEET		FEBRUARY 28/29	
		2001	2000
	Note	(in thousands of dollars)	
ASSETS			
Cash and investments	4	$ 1,154,994	$ 1,056,602
Due from other insurance companies		166	73
Accounts receivable		137,906	127,597
Deferred policy acquisition costs		17,845	18,345
Reinsurers' share of unearned premiums		11,786	8,744
Reinsurers' share of unpaid claims	9	42,126	36,121
Capital assets	5	25,064	20,550
Deferred development costs		12,569	15,985
		1,402,456	1,284,017
LIABILITIES, BASIC INSURANCE RATE STABILIZATION RESERVE AND RETAINED EARNINGS			
Due to other insurance companies		15,728	9,047
Accounts payable and accrued liabilities		19,163	19,764
Unearned premiums		270,029	266,604
Provision for employee current benefits		8,084	7,338
Provision for employee future benefits	6	80,731	75,224
Provision for unpaid claims	9	778,344	722,143
		1,172,079	1,100,120
Basic insurance rate stabilization reserve	15	142,993	104,893
Retained earnings		87,384	79,004
		230,377	183,897
		$ 1,402,456	$ 1,284,017

Approved by the Board:

Shari Decter Hirst
Chairperson

Paul Moist
Director

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STATEMENT OF BASIC INSURANCE RATE STABILIZATION RESERVE

	Note	YEARS ENDED FEBRUARY 28/29 2001	2000
		(in thousands of dollars)	
Balance beginning of year		$ 104,893	$ 64,379
Net income for the year	12	38,100	40,514
Basic insurance rate stabilization reserve balance end of year		$ 142,993	$ 104,893

STATEMENT OF RETAINED EARNINGS

	Note	YEARS ENDED FEBRUARY 28/29 2001	2000
		(in thousands of dollars)	
Balance beginning of year		$ 79,004	$ 75,957
Net income for the year	12	8,380	10,914
Repayment to the Province of Manitoba	14	—	(7,867)
Retained earnings balance end of year		$ 87,384	$ 79,004

STATEMENT OF CASH FLOWS

	Note	YEARS ENDED FEBRUARY 28/29 2001	2000
		(in thousands of dollars)	
RESOURCES PROVIDED FROM (APPLIED TO) OPERATIONS			
Net income for the Year		$ 48,480	$ 51,428
Discontinued operations		148	(517)
Non-cash items:			
Amortization of capital assets and deferred development costs		7,840	9,813
Amortization of bond discount and premium		3,102	6,264
Gain on sale of investments		(2,188)	(68)
Write-down of investment		2,207	—
		57,589	66,920
Decrease in cash and short-term investments from discontinued operations		(4,934)	(1,691)
Net change in non-cash balances		57,719	54,936
		110,374	120,165
RESOURCES PROVIDED FROM (APPLIED TO) INVESTING ACTIVITIES			
Acquisition of capital assets net of proceeds from disposals		(7,907)	(2,784)
Purchase of investments		(473,062)	(418,287)
Proceeds from sale of investments		383,373	315,075
Deferred development costs incurred		(1,031)	(6,296)
		(98,627)	(112,292)
Repayment to the Province of Manitoba	14	—	(7,867)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS		11,747	6
Cash and short-term investments beginning of year		66,208	66,202
CASH AND SHORT-TERM INVESTMENTS END OF YEAR	4	$ 77,955	$ 66,208

STATEMENT OF BASIC INSURANCE RATE STABILIZATION RESERVE

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1| STATUS OF THE CORPORATION

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies.

2| BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The actuary, in his verification of the information prepared by the Corporation used in the valuation, also uses the work of the external auditors.

The external auditors are appointed by the Lieutenant-Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the Corporation's policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

3| SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

Investments

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond. Funds available for investments are invested by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down when there is a decline in value that is considered other than temporary.

The Corporation has invested in an equity-linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any gains or losses arising from changes in the index are recorded currently in the Statement of Operations under the heading "Investment income, net".

Total Return Swaps

The Corporation invests in total return swaps as part of its investment strategy to provide limited exposure to certain equity markets. Total return swaps are financial instruments whose value is derived from an underlying financial instrument, product or index. Total return swaps are recorded at fair value at the balance sheet date and presented under the heading "Cash and investments". Any gains or losses arising from changes in fair value are recorded currently in the Statement of Operations under the heading "Investment income, net".

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight line basis which will amortize the cost of each asset over its estimated useful life:

Land improvements	25 years
Buildings	40 years
Equipment:	
• Data processing	3 years
• Automotive	5 years
• Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems which are expected to be of continuing benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Current Benefits

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the Provision for Employee Future Benefits are the pension benefit plan and other benefit plans.

Pension Benefit Plan

The employees of the Corporation are members of a defined benefit pension plan administered under the Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Experience gains and losses are amortized over the expected average remaining service life of the employee group.

Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire. The resulting provision is amortized over the expected average remaining service life of the employee group.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period. The provision does not consider the time value of money and does not contain an explicit provision for adverse deviation except for long-term disability, income replacement and personal care claims.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums. In calculating a premium deficiency, the Corporation recognizes anticipated investment income.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and the discontinued general insurance division on the following basis:

i) Identifiable direct expenses are charged to each division.

ii) Where direct allocation is not possible, expenses are prorated to each division based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses reported in the Statement of Operations are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used by the Corporation in determining deferred premium acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used by the Corporation in determining the unearned premium liability.

Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Basic Insurance Rate Stabilization Reserve

The basic insurance rate stabilization reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

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Retained Earnings

Retained earnings comprise the accumulation of net income or losses for the extension, special risk and discontinued lines of business.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4| CASH AND INVESTMENTS

	2001		2000	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	(in thousands of dollars)			
Cash and short-term investments	$ 77,955	$ 77,955	$ 66,208	$ 66,208
Bonds				
Federal	144,181	146,587	110,750	110,693
Manitoba:				
Provincial	87,991	90,762	37,546	38,035
Municipal	81,626	87,485	95,285	100,692
Hospitals	17,523	17,541	19,040	19,052
Schools	239,875	239,875	223,647	223,647
Other Provinces	271,509	281,654	351,153	353,125
Corporations	125,499	128,238	67,764	65,683
Equity linked note	20,000	20,000	20,000	20,000
	988,204	1,012,142	925,185	930,927
Other	5,237	5,237	4,401	4,401
Equity investments and total return swaps	83,598	92,481	60,808	76,014
	88,835	97,718	65,209	80,415
	$ 1,154,994	$ 1,187,815	$ 1,056,602	$ 1,077,550

Fair value, for cash and short-term investments approximate carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values. External fund managers have been allocated a proportion of the Corporation's investment pool to invest in equity markets with an objective of generating a long term return of 1.5% over the benchmark indices.

The fair value of the portfolio of total return swaps is based upon market prices of the underlying stock market indices at the balance sheet date, net of estimated unwinding costs.

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The Corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs. Credit risk is also managed through the use of master netting agreements in all total return swap contracts. Such agreements provide for the simultaneous close-out and netting of transactions with a counterparty in the event of default.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $2,105,000 (2000 - $2,646,000).

Short-term investments have a total principal amount of $77,944,000 (2000 - $64,430,000) comprising provincial short-term deposits with effective interest rates of 5.05% to 5.75% (2000 – 4.90% to 5.05%), with interest receivable at varying dates.

ii) Bonds - interest rate risk

	INTEREST RECEIVABLE BASIS	2001		2000	
		EFFECTIVE RATE	COUPON RATE	EFFECTIVE RATE	COUPON RATE
		% RANGE		% RANGE	
Federal	semi-annual	4.51 to 5.72	4.25 to 10.00	5.85 to 6.29	6.50 to 10.00
Provincial	semi-annual	4.84 to 6.26	4.75 to 10.75	5.66 to 9.26	4.75 to 11.25
Municipal	semi-annual	5.01 to 17.32	6.00 to 18.50	5.59 to 17.43	6.00 to 18.50
Hospitals	semi-annual	10.13 to 16.00	10.13 to 16.00	9.92 to 15.78	10.13 to 16.00
Schools	semi-annual	5.66 to 14.10	5.75 to 14.75	5.66 to 14.12	5.75 to 14.75
Corporations	semi-annual	4.81 to 9.83	5.00 to 11.25	5.66 to 6.85	5.25 to 9.65

The Corporation has allocated investments with an average yield of 10.4% (2000 - 10.6%) to maturity to fully fund pre-March 1, 1994 discounted unpaid claims of approximately $30.5 million.

iii) Bonds - maturity profile

2001	WITHIN ONE YEAR	AFTER ONE YEAR TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(in thousands of dollars)			
Federal	$ 5,170	$ 55,202	$ 83,809	$ 144,181
Manitoba:				
Provincial	—	20,917	67,074	87,991
Municipal	14,302	19,434	47,890	81,626
Hospitals	457	1,700	15,366	17,523
Schools	—	10,016	229,859	239,875
Other Provinces	8,352	122,708	140,449	271,509
Corporations	—	38,917	86,582	125,499
	28,281	268,894	671,029	968,204
Equity-Linked Note Provincial	—	—	20,000	20,000
	$ 28,281	$ 268,894	$ 691,029	$ 988,204

2000	WITHIN ONE YEAR	AFTER ONE YEAR TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(in thousands of dollars)			
Federal	$ 9,488	$ 85,080	$ 16,182	$ 110,750
Manitoba:				
Provincial	11,566	6,515	19,465	37,546
Municipal	15,118	35,065	45,102	95,285
Hospitals	179	3,298	15,563	19,040
Schools	—	8,706	214,941	223,647
Other Provinces	23,196	92,288	235,669	351,153
Corporations	8,986	18,630	40,148	67,764
	68,533	249,582	587,070	905,185
Equity-Linked Note Provincial	—	—	20,000	20,000
	$ 68,533	$ 249,582	$ 607,070	$ 925,185

Total Return Swaps

In the normal course of operations, the Corporation enters into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 28, 2001 the notional amount of total return swaps was $49,421,000 (2000 - $27,950,000). All total return swaps have a residual term to contractual maturity of one year or less.

As at February 28, 2001, the Corporation had a commitment to purchase a total return swap with a notional amount of $24,500,000, to replace a total return swap with a notional amount of $14,421,000 that matures March 1, 2001.

Retained Earnings

Retained earnings comprise the accumulation of net income or losses for the extension, special risk and discontinued lines of business.

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Municipal	semi-annual	5.01 to 17.32	6.00 to 18.50	5.59 to 17.43	6.00 to 18.50
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At February 28, 2001 the notional amount of total return swaps was $49,421,000 (2000 - $27,950,000). All total return swaps have a residual term to contractual maturity of one year or less.

As at February 28, 2001, the Corporation had a commitment to purchase a total return swap with a notional amount of $24,500,000, to replace a total return swap with a notional amount of $14,421,000 that matures March 1, 2001.

5| CAPITAL ASSETS

	2001			2000
	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE	CARRYING VALUE
		(in thousands of dollars)		
Land	$ 1,919	$ —	$ 1,919	$ 1,687
Land improvements	3,148	1,131	2,017	1,753
Buildings	20,706	6,989	13,717	10,290
Equipment	35,948	28,537	7,411	6,712
	61,721	36,657	25,064	20,442
Leasehold improvements	1,527	1,527	—	108
	$ 63,248	$ 38,184	$ 25,064	$ 20,550

6| PROVISION FOR EMPLOYEE FUTURE BENEFITS

The Corporation has a number of defined benefit plans providing pension and other benefits to eligible employees. The results from the latest valuation as at December 31, 2000 projected to February 28, 2001 and the major assumptions used are:

	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2001	2000	2001	2000
Economic assumptions:				
Discount rate	6.50%	6.75%	6.50%	6.75%
Inflation rate	2.00%	2.00%	—	—
Expected salary increase	3.00%	2.50%	—	—
Expected health care cost increase	—	--	2.50%	2.25%
		(in thousands of dollars)		
Plan valuations:				
Present value of plan benefits	$ 67,225	$ 55,599	$ 10,775	$ 8,733
Unamortized actuarial gains (losses)	2,731	10,892	—	—
Provision for employee future benefits	$ 69,956	$ 66,491	$ 10,775	$ 8,733
Financial information:				
Plan expense	$ 5,123	$ 4,604	$ 2,550	$ 3,227
Allocated to investment income (Note 10)	(2,972)	(2,635)	—	—
	$ 2,151	$ 1,969	$ 2,550	$ 3,227
Employee contributions	$ 2,846	$ 2,514	—	—
Benefits/premiums paid	$ 1,658	$ 1,542	$ 508	$ 668

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid to employees.

7| REINSURANCE

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2001, these reinsurance agreements limit the Corporation's exposure to a maximum amount of $1.0 million (2000 - $1.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $5.0 million (2000 - $5.0 million). These arrangements protect the Corporation against losses up to $200.0 million (2000 - $200.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

The figures shown in the statement of operations, excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies:

	2001	2000
	(in thousands of dollars)	
Premiums earned	$ 11,581	$ 10,748
Claims incurred	$ 7,403	$ 4,390

The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $4.0 million (2000 - $4.1 million).

8| OPERATING LEASE COMMITMENTS

The Corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

FISCAL YEAR	MINIMUM LEASE PAYMENTS
	(in thousands of dollars)
2002	$ 3,241
2003	$ 2,514
2004	$ 2,282
2005	$ 1,858
2006	$ 1,836
thereafter	$ 3,672

9| PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2001		2000	
	GROSS	REINSURERS' SHARE	GROSS	REINSURERS' SHARE
	(in thousands of dollars)			
Automobile Insurance Division				
Liability	$ 696,887	$ 42,126	$ 652,441	$ 35,820
Physical Damage	72,087	—	55,791	—
	768,974	42,126	708,232	35,820
Discontinued Operations				
Personal/Commercial	9,370	—	9,793	301
Reinsurance Assumed (Note 11)	—	—	4,118	—
	9,370	—	13,911	301
	$ 778,344	$ 42,126	$ 722,143	$ 36,121

The provision for unpaid claims includes $358.1 million (2000 - $323.3 million) in unpaid long-term disability claims, income replacement and personal care claims. This provision is discounted to reflect the time value of money using an interest rate of 3% for two years and 2% thereafter for Personal Injury Protection Plan claims and 8% for 10 years and 2% thereafter for pre-Personal Injury Protection Plan claims.

No catastrophic losses are included in net incurred claims and adjustment expenses during the current fiscal year (2000 - $0.8 million). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at a value which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 28, 2001 for prior years are:

	ACCIDENT YEARS				
	2000	1999	1998	1997 AND PRIOR	TOTAL
	(in thousands of dollars)				
Net unpaid claims (valuation estimate as at February 29, 2000)	$ 184,151	$ 103,497	$ 84,370	$ 300,409	
Net payments for the year	64,023	14,105	7,898	48,140	
	120,128	89,392	76,472	252,269	
Net unpaid claims (revised valuation estimate as at February 28, 2001)	100,095	81,937	68,529	255,551	
(Redundancy) Deficiency	$ (20,033)	$ (7,455)	$ (7,943)	$ 3,282	$ (32,149)
Prior years (redundancy) deficiency		$ (37,343)	$ (7,599)	$ 31,453	$ (13,489)

5| CAPITAL ASSETS

	2001			2000
	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE	CARRYING VALUE
	(in thousands of dollars)			
Land	$ 1,919	$ —	$ 1,919	$ 1,687
Land improvements	3,148	1,131	2,017	1,753
Buildings	20,706	6,989	13,717	10,290
Equipment	35,948	28,537	7,411	6,712
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Leasehold improvements	1,527	1,527	—	108
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	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2001	2000	2001	2000
Economic assumptions:				
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Inflation rate	2.00%	2.00%	—	—
Expected salary increase	3.00%	2.50%	—	—
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Plan valuations:				
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Financial information:				
Plan expense	$ 5,123	$ 4,604	$ 2,550	$ 3,227
Allocated to investment income (Note 10)	(2,972)	(2,635)	—	—
	$ 2,151	$ 1,969	$ 2,550	$ 3,227
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	2001		2000	
	GROSS	REINSURERS' SHARE	GROSS	REINSURERS' SHARE
	(in thousands of dollars)			
Automobile Insurance Division				
Liability	$ 696,887	$ 42,126	$ 652,441	$ 35,820
Physical Damage	72,087	—	55,791	—
	768,974	42,126	708,232	35,820
Discontinued Operations				
Personal/Commercial	9,370	—	9,793	301
Reinsurance Assumed (Note 11)	—	—	4,118	—
	9,370	—	13,911	301
	$ 778,344	$ 42,126	$ 722,143	$ 36,121

The provision for unpaid claims includes $358.1 million (2000 - $323.3 million) in unpaid long-term disability claims, income replacement and personal care claims. This provision is discounted to reflect the time value of money using an interest rate of 3% for two years and 2% thereafter for Personal Injury Protection Plan claims and 8% for 10 years and 2% thereafter for pre-Personal Injury Protection Plan claims.

No catastrophic losses are included in net incurred claims and adjustment expenses during the current fiscal year (2000 – $0.8 million). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at a value which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 28, 2001 for prior years are:

	ACCIDENT YEARS				
	2000	1999	1998	1997 AND PRIOR	TOTAL
	(in thousands of dollars)				
Net unpaid claims (valuation estimate as at February 29, 2000)	$ 184,151	$ 103,497	$ 84,370	$ 300,409	
Net payments for the year	64,023	14,105	7,898	48,140	
	120,128	89,392	76,472	252,269	
Net unpaid claims (revised valuation estimate as at February 28, 2001)	100,095	81,937	68,529	255,551	
(Redundancy) Deficiency	$ (20,033)	$ (7,455)	$ (7,943)	$ 3,282	$ (32,149)
Prior years (redundancy) deficiency		$ (37,343)	$ (7,599)	$ 31,453	$ (13,489)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $85.9 million (2000 - $74.4 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2001 are $4.2 million (2000 - $1.6 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

10| INVESTMENT INCOME, NET

	2001	2000
	(in thousands of dollars)	
Total investment income	$ 86,412	$ 77,177
Less allocation to:		
Discontinued operations	142	165
Provision for pension	2,972	2,635
Investment income, net	$ 83,298	$ 74,377

11| DISCONTINUED GENERAL INSURANCE OPERATIONS

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. The offer to purchase was subject to certain terms and conditions, including the execution of a final agreement which took place subsequent to February 28, 2001. Under the terms of the final agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency. As at February 28, 2001 the provision for reinsurance assumed has been included as part of "Due to other insurance companies" on the balance sheet of the Corporation.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net loss of $0.1 million in 2001 (net income of $0.5 million in 2000). Included in the provision for unpaid claims is $9.4 million (2000 - $13.9 million) relating to discontinued operations.

12| NET INCOME FOR THE YEAR

The net income (loss) for the year by line of business is:

	2001	2000
	(in thousands of dollars)	
Basic insurance	$ 38,100	$ 40,514
Extension insurance	(6,130)	(3,781)
Special risk extension	14,658	14,178
Discontinued operations	(148)	517
	8,380	10,914
Net income for the year	$ 46,480	$ 51,428

13| FAIR VALUE DISCLOSURE

The fair value of financial assets and liabilities, other than cash and investments (note 4) and provision for unpaid claims (note 9), approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

14| REPAYMENT TO THE PROVINCE OF MANITOBA

The Province of Manitoba, in the Appropriation Act, 1988, authorized the funding of the October 31, 1987 deficit of the General Insurance Division's Personal and Commercial operations in the amount of $26,867,000 with no obligation for repayment by the Corporation. On March 31, 1994, the Corporation repaid $19,000,000 and on March 9, 1999 the remaining $7,867,000 was repaid to the Province of Manitoba.

15| COMMITMENT

The Corporation is committed to a one-time surplus discount of 16.6% on basic compulsory motor vehicle premiums written for the period March 1, 2001 to February 28, 2002. The surplus discount will reduce the Basic Insurance Rate Stabilization Reserve by an estimated amount of $76.4 million.

16| COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $85.9 million (2000 - $74.4 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

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